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<p>Attorney or Party Name, Address, Telephone and Fax Number, and CA State Bar No.</p> <p>James C. Bastian, Jr. - Bar No. 175415 Mark Bradshaw - Bar No. 192540 MARSHACK SHULMAN HODGES & BASTIAN LLP 26632 Towne Centre, Suite 300 Foothill Ranch, California 92610 Telephone: (949) 340-3400 Facsimile: (949) 340-3000</p>	<p>FOR COURT USE ONLY</p> <p>FILED</p> <p>01 MAR 28 PM 3:06</p> <p>CLERK OF COURT CENTRAL DISTRICT OF CALIFORNIA</p> <p>BY <i>[Signature]</i> DEPUTY</p>
<p>UNITED STATES BANKRUPTCY COURT CENTRAL DISTRICT OF CALIFORNIA</p>	
<p>In re:</p> <p>ZYAN COMMUNICATIONS, INC.,</p> <p>Debtor(s).</p>	<p>CASE NO.: LA 00-43483 KM</p>

NOTICE OF SALE OF ESTATE PROPERTY

Sale Date: April 10, 2001	Time: 11:00 A.M.
Location: U.S. Bankruptcy Court, 255 E. Temple St., Courtroom 1468, Los Angeles, CA 90012	

Type of Sale: ☐ Public ☒ Private Last date to file objections: **April 3, 2001**

Description of Property to be Sold: See the attached Notice of Hearing on Debtor's Motion for Order Authorizing (1) Sale and Assignment of Substantially All Assets et al. (the "Hearing Notice")

Terms and Conditions of Sale: See the attached Hearing Notice

Proposed Sale Price: See the attached Hearing Notice

Overbid Procedure (If Any): See the attached Hearing Notice

If property is to be sold free and clear of liens or other interests, list date, time and location of hearing:

April 3, 2001 at 11:00 A.M.

Contact Person for Potential Bidders (include name, address, telephone, fax and/or e-mail address):

James C. Bastian, Jr., Esq.

Marshack Shulman Hodges & Bastian LLP

26632 Towne Centre, Suite 300, Foothill Ranch, CA 92610

Telephone: (949) 340-3400

Facsimile: (949) 340-3000

Date: March 27, 2001

175 RMA

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA, LOS ANGELES DIVISION

FILE

In re

ZYAN COMMUNICATIONS, INC.,
a Delaware corporation, fdba
INTERNET EXPRESS NETWORK, INC., fdba
INTERNET DESIGN GROUP,

Debtor.

Debtor's Address:
707 Wilshire Boulevard, 14th Floor
Los Angeles, CA 90017

Tax I.D. No. 95-4570574

Case No. 00-43483 KM

Chapter 11

**NOTICE OF HEARING ON DEBTOR'S MOTION FOR ORDER
AUTHORIZING: (1) SALE AND ASSIGNMENT OF
SUBSTANTIALLY ALL OF THE ASSETS OF THE ESTATE
FREE AND CLEAR OF LIENS; AND (2) ASSUMPTION AND
ASSIGNMENT OF LEASES AND EXECUTORY CONTRACTS
COMBINED WITH NOTICE OF OVERBID PROCEDURES
AND OVERBID TO BE HELD IN COURT ON APRIL 10,
2001 AT 11:00 A.M. AMONG QUALIFYING
OVERBIDDERS**

Date: April 10, 2001

Time: 11:00 A.M.

Place: Courtroom 1468
255 East Temple Street
Los Angeles, CA 90012

TO ALL PARTIES IN INTEREST:

PLEASE TAKE NOTICE that a hearing on the **DEBTOR'S MOTION FOR ORDER AUTHORIZING: (1) SALE AND ASSIGNMENT OF SUBSTANTIALLY ALL OF THE ASSETS OF THE ESTATE FREE AND CLEAR OF LIENS; AND (2) ASSUMPTION AND ASSIGNMENT OF LEASES AND EXECUTORY CONTRACTS** (the "Motion" or the "Sale Motion") has been scheduled for **APRIL 10, 2001 AT 11:00 A.M.**, in Courtroom 1468 of the above-entitled Court located at 255 East Temple Street, Los Angeles, California 90012 **WITH OVERBIDS TO BE HELD IN COURT ON SAID DATE AND TIME, AMONG ONLY THOSE BIDDERS WHO HAVE QUALIFIED BY SUBMITTING WRITTEN BIDS.**

As a result of developments since the Petition Date, including the Debtor's inability to provision new lines and the fact that several of its customers have filed for bankruptcy protection, the Debtor now projects that it is spending more money each month than it generates. The "burn rate" of the Debtor - that is, the rate at which the post-petition expenses of the Debtor exceed its post-petition revenue - is such that the Debtor will only be able to operate for an additional four to six weeks before a complete shut down would be required. Accordingly, the only option available to the Debtor is a quick and orderly sale of its DSL subscriber lines (the "Subscriber Lines"). If the Debtor were unable to utilize the Subscriber Lines, the lines would "go dark" resulting in the sudden and complete loss of Internet access by the Debtor's customers. To the Debtor's business customers relying on today's Internet communications technology, this loss of Internet access could be severely damaging. In the event that a quick transition does not take place, the Debtor would be forced to close its doors, thereby shutting off thousands of end users and effectively precluding a sale of this asset.

The Debtor has determined that it is in the best interest of the estate and creditors that the Debtor sell substantially all of its assets and propose a liquidating Chapter 11 plan. It is essential for the Debtor to commence this orderly liquidation of its assets in order to maximize the recovery available to creditors. The Debtor believes that the sale of its operating assets to InternetConnect, Inc., a Nevada corporation ("InternetConnect") will provide the most meaningful recovery for the estate's unsecured creditors.

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The Debtor and InternetConnect have worked together diligently in order to substantially complete due diligence, finalize a purchase and sale agreement, and bring Sale Motion before the Court. The Purchase and Sale Agreement (the "Purchase Agreement") calls for the Debtor to sell substantially all of its assets (other than the Excluded Assets listed below) to InternetConnect in exchange for \$5,000,000, \$2,500,000 in cash and \$2,500,000 through a convertible promissory note (the "Note"), plus additional consideration of \$1,156,868 for certain conversion rights as described in the Note. The total purchase price is contingent, in part, upon the total of the Debtor's "Subscriber Lines" successfully migrated to InternetConnect's network. Subject to the terms and conditions of the Purchase Agreement and pursuant to the provisions of the Sale Motion the Debtor will seek to sell substantially all of the Debtor's assets as set forth in Section 3.0 of the Purchase Agreement (the "Assets") to InternetConnect. **The Assets to be sold are as follows:**

a. All of Zyan's rights and interest in executory contracts that have not been rejected by Zyan or otherwise terminated prior to the closing date and that are listed on Schedule 3.1 of the Purchase Agreement. Provided, however, that the executory contracts to be assumed and assigned to purchaser shall be selected and designated by purchaser, and may include, but are not limited to, all Zyan's sales contracts with customers, carriers, third party vendors, resellers and distribution partners relating to Internet access services and associated web hosting and email services except that any contract with Covad Communications Group, Inc. and/or Northpoint Communications Group, Inc. may not be assumed and assigned under this provision.

b. All end-user DSL circuits provided by third party vendors, including Covad Communications Company and NorthPoint Communications Group, Inc., used to deliver services to Zyan's retail and wholesale customers.

c. Except as set forth in Section 4 and Section 5.4 of the Purchase Agreement, a worldwide, non-exclusive, non-revocable, royalty-free, assignable license to software and ownership of equipment used by Zyan in connection with its operating, sales, provisioning, collection and business systems related to its DSL services and a non-exclusive license to any software and ownership of equipment used by Zyan to serve all customers using Zyan's services, including any software related to Zyan's ability to migrate its customers from resellers to a direct retail customer relationship, which customer channel software shall be licensed on a worldwide, non-exclusive, non-revocable, royalty-free, assignable basis as set forth in Section 5.4 of the Purchase Agreement.

d. All IP addresses registered to Zyan, including those addresses assigned to Zyan's customers by Zyan, as well as all domain name specifications and information.

e. Zyan's rights, title and interest in all general intangibles and intellectual property including: (a) all Zyan's general intangibles and intellectual property used or useful by Zyan in the operation of its business, including the name "Zyan"; (b) all patents and patent applications, invention disclosures, inventor's certificates, reexaminations, reissues, trademark applications, trademark registrations, trade names, brand names, trade secrets, domain names, copyrights, copyright registrations, and licenses (software and otherwise); (c) goodwill and know how; and (d) all trade and other receivables owing to Zyan from successfully migrated customers.

f. All transferable licenses and permits.

g. All books, records, logs, papers, files, location files, correspondence, reports, account information, and other written material relating to or describing the assets.

h. All customer lists.

i. Zyan's right, title, and interest in its accounts receivable (including any accounts receivable that have been written off as bad debt by Zyan) associated with the successfully migrated subscriber lines.

j. All materials of any kind related to the items above whether written, digital or any other form.

The Purchase Agreement specifically excludes the following from the definition of the Assets to be sold:

- a. All Shasta 5000 Broadband Service Nodes, and related software and equipment necessary to its operation, owned or in the possession of Zyan as of the date of the Purchase Agreement.
- b. Any and all claims and causes of action, or rights available to Zyan and its bankruptcy estate pursuant to the United States Bankruptcy Code.
- c. Any and all claims and causes of action arising before and after the filing of Zyan's bankruptcy case against third parties, including Covad Communications Company, and any proceeds or recoveries derived therefrom.
- d. All accounts receivable due from customers not Successfully Migrated (as that term is defined in Section 5.2 of the Purchase Agreement).
- e. Ownership of, and rights to modify (subject to Section 5.4 of the Purchase Agreement) or develop, the software used by Zyan to serve its customers and related to its operating, sales, provisioning, collection and business systems, including the Customer Channel Software.

As set forth in greater detail in Section 6.0 of the Purchase Agreement, the purchase price for Assets shall be \$5.0 million, which amount shall be payable in cash and a promissory note, plus \$1,156,868, which amount represents the conversion right of such promissory note valued by using the Black-Scholes option pricing model, such amounts equaling an aggregate amount of \$6,156,868 (the "Purchase Price"). The Buyer has posted a \$1,000,000 deposit with Debtor's counsel, Marshack Shulman Hodges & Bastian LLP, in an interest bearing trust account, which deposit shall be held pending closing of the sale of the Assets. As set forth below, pursuant to the Court approved overbid procedures, in the event that Internet Connect is not the Successful Bidder (defined below), if the contingencies to closing are not satisfied, or if the hearing on the Sale Motion is continued to a date deemed unreasonable by InternetConnect in its sole discretion, then the InternetConnect Deposit, together with any interest shall be returned to InternetConnect within 72 hours of Debtor's counsel's receipt of a written notice from InternetConnect of its right to request a return of the InternetConnect Deposit.

NOTICE OF OVERBID PROCEDURES

Pursuant to Court order, the following overbid procedures have been approved to assist in the orderly liquidation of the sale of substantially all Debtor's assets to InternetConnect:

- a. **InternetConnect Deposit.** Internet Connect shall provide Debtor's counsel a \$1,000,000 deposit by cashier's check or certified funds by no later than 11:00 a.m. on Friday, March 23, 2001 (the "InternetConnect Deposit"). The InternetConnect Deposit shall be held by Debtor's counsel in an interest-bearing account. In the event that Internet Connect is not the Successful Bidder (defined below), if the contingencies to closing are not satisfied, or if the hearing on the Sale Motion is continued to a date deemed unreasonable by InternetConnect in its sole discretion, then the InternetConnect Deposit, together with any interest shall be returned to InternetConnect within 72 hours of Debtor's counsel's receipt of a written notice from InternetConnect of its right to request a return of the InternetConnect Deposit.
- b. **Due Diligence.** Prior to the hearing on the Sale Motion, all entities interested in submitting a bid higher and better than that offered by InternetConnect ("Overbidders") for the purchase of the Debtor's assets (the "Assets") shall have reasonable access to the Debtor's books and records and shall be allowed to conduct a due diligence investigation with respect to the acquisition of the Assets, at the Debtor's office in Los Angeles, California during the Debtor's normal business hours and after providing reasonable written request to the Debtor, and after signing a confidentiality agreement with the Debtor. All due diligence must be completed prior to the Overbidder submitting its bid. The Court will not accept bids that are contingent on bidders completing due diligence after sale.

c. Deadline for Submission of Overbids. Any initial overbids must be in writing, filed with the Clerk of the Court located at 300 North Los Angeles Street, Los Angeles, California 90012, with a courtesy copy delivered to the chambers of the Honorable Kathleen P. March, United States Bankruptcy Judge, and a copy served on the following parties so that it is actually received by the parties by no later than 9:00 A.M. on April 3, 2001:

<u>Party</u>	<u>Facsimile No.</u>	<u>Telephone No.</u>
<u>Debtor</u> Crosby Haffner, President Zyan Communications, Inc. 707 Wilshire Boulevard, 14th Floor Los Angeles, CA 90017	(213) 612-7696	(213) 488-6100
<u>Attorneys for the Debtor</u> James C. Bastian, Jr., Esq. Marshack Shulman Hodges & Bastian LLP 26632 Towne Centre, Suite 300 Foothill Ranch, CA 92610-2808	(949) 340-3000	(949) 340-3400
<u>Attorneys for the Committee</u> David Shemano, Esq Peitzman Glassman & Weg LLP 1900 Avenue of the Stars Suite 650 Los Angeles, CA 90067	(310) 552-3101	(310) 552-3100
<u>Attorneys for Covad</u> Mark Shinderman Esq Munger Tolles & Olson LLP 355 S Grand Ave 35th Floor Los Angeles, CA 90071-1560	(213) 687-3702	(213) 683-9201
<u>Attorneys for InternetConnect</u> Peter Hogan, Esq. Kirkpatrick & Lockhart LLP 10100 Santa Monica Blvd 7th Floor Los Angeles, CA 90067	(310) 552-5001	(310) 552-5000

The foregoing parties are collectively referred to herein as the "Noticing Parties".

d. Terms of Overbid.

i. The sale of the Assets shall be subject to the qualifying overbids. Potential Overbidders must bid an initial amount of at least \$250,000 over the Purchase Price offered by InternetConnect. Minimum bid increments thereafter shall be in increments of \$50,000.

ii. Only qualified Overbidders shall be allowed to bid. To qualify as an Overbidder, the Overbidders shall submit with their written overbid to the Debtor, the Debtor's counsel and counsel for the Committee such proof and documentation relevant to an Overbidder's ability to qualify as the purchaser of the Assets and such other proof of an Overbidder's ability to close the sale and immediately and unconditionally pay the Purchase Price as increased by overbid at closing. Such proof of the Overbidder's ability to qualify as the purchase of the Assets must be brought by the Overbidder to the hearing on the Sale Motion as the Court may be required to review such proof in determining the most favorable bid. Among other things, the Court will consider the lack of contingencies to closing and ability to perform in its consideration of which bid is most favorable in determining the Successful Bidder.

iii. All Overbidders shall provide to the Debtor's counsel (Marshack Shulman Hodges & Bastian LLP), a deposit in the amount \$1,000,000 by cashier's check or certified funds (the "Overbidder Deposit"), payable to "Zyan Communications, Inc., Debtor and Debtor in Possession", at or before the hearing on the Sale Motion. The Overbidder Deposit will only be refundable in the event the Overbidder is not the Successful Bidder (defined below). The Debtor shall retain the Overbidder Deposit of the Successful Bidder if the Successful Bidder fails to close the sale through the Successful Bidder's own default. The Debtor shall have an opportunity to prove its damages in the event of the Successful Bidder's default and, subject to proof and further Court order, such damages may not be limited to the amount of the Overbidder Deposit.

iv. All Overbidders must seek to acquire the Assets on terms and conditions not less favorable to the Debtor than the terms and conditions to which InternetConnect has agreed to purchase the Assets as set forth herein. Overbids, however, may be presented on different terms and conditions than that presented by InternetConnect including Overbids for the Assets or a portion of the Assets. Such Overbids shall be evaluated based on which is most favorable to the Debtor, its creditors and the estate as determined by the Court. If Overbids are received, the final bidding round shall be held at the hearing on the Sale Motion as set forth below.

e. Comments of the Debtor and the Committee to the Overbids. Comments to the Overbids and any reply to any opposition papers may be submitted by the Debtor and/or the Committee. The comments to Overbids by the Debtor and/or Committee shall be filed with the Clerk of the Court located at 300 North Los Angeles Street, Los Angeles, California 90012, with a filed-stamped courtesy copy delivered to the chambers of the Honorable Kathleen P. March, United States Bankruptcy Judge, and a copy served on the following parties by hand delivery or facsimile transmission so that it is actually received by 9:00 a.m. on April 6, 2001: the Noticing Parties set forth above and to any party submitting an Overbid.

f. Final Over Bidding at the Hearing. At the hearing on the Sale Motion, and after hearing comments from the Debtor, the Committee and other parties in interest, the Court shall determine and announce which Overbid presented is the most favorable offer for the Debtor, its creditors and the estate. Following such determination by the Court at the hearing on the Sale Motion, any Overbidder who otherwise complies with the overbid procedure requirements set forth herein, shall then have the right to bid in excess of any Overbids determined by the Court to be most favorable to the Debtor, its creditors and the estate. For the purposes of bidding, all-cash consideration shall be favored by the Debtor. Non-cash consideration in the form of a promissory note shall be evaluated by the Debtor relative to cash consideration taking into account, among others, the following factors:

- i. The value of any collateral for the promissory note;
- ii. The terms of the promissory note, including the interest rate, payment terms and maturity date provided for therein,
- iii. The financial condition of the bidder; and
- iv. Any restrictions which the bidder may propose with respect to the conduct of its business, including, without limitation, any restrictions on insider compensation and insider distributions, until the obligations evidenced by the promissory note are satisfied. Any discount of non-cash consideration relative to cash consideration shall be on terms determined by the Debtor, subject to the approval of the Court. In determining which Overbid is most favorable, the Court will strongly consider the lack of contingencies to closing and ability to perform, among other things.

g. Court's Determination of Successful Bidder. The Court shall determine at the hearing on the Sale Motion the offer for the purchase of the Assets which is the most favorable offer for the Debtor, its creditors and the estate. The Debtor shall then submit to the Court, at the hearing on the Sale Motion or as soon thereafter as practicable, the Sale Order pursuant to which the Court will authorize the Debtor to sell and to assign to the bidder indicated by the Court as having submitted the most favorable bid (the "Successful Bidder") the Assets in accordance

with the terms of the Successful Bidder's winning bid. The closing of the sale of the Assets to the Successful Bidder shall close within ten (10) days of the date of entry of the Court order approving the Sale Motion (the "Closing Period").

h. Break-Up / Topping Fee. In the event that InternetConnect is not the Successful Bidder at the hearing on the Sale Motion, the Debtor shall deliver to InternetConnect a topping fee equal to \$200,000 (the "Topping Fee"). The Topping Fee shall be paid to InternetConnect within 72 hours of closing of the sale of the Assets to the Successful Bidder in the event that InternetConnect is not the Successful Bidder. No Topping Fee shall be awarded in the event that InternetConnect withdraws its offer to purchase the Assets.

i. InternetConnect Back-Up Bid. In the event the sale of the Assets to the Successful Bidder (other than InternetConnect) does not close within the Closing Period, within 2 days after expiration of the Closing Period, the sale of the Assets to InternetConnect shall be consummated at a purchase price equal to the highest and best bid presented by InternetConnect at the hearing on the Sale Motion, but with credit in amount of Topping Fee.

j. Procedure for Allowance of Administrative Expense of the Estate in the Event of Sale for Less Than InternetConnect's Initial Bid. If the final sale of the Assets is for less than InternetConnect's initial bid as set forth in the Sale Motion, there will be no Topping Fee paid, provided, however, this shall not prevent InternetConnect from filing with the Court a motion for allowance and payment of administrative expenses pursuant to Bankruptcy Code Section 503(b).

k. Modification to the Purchase Agreement. The Purchase Agreement with InternetConnect shall be modified to provide that InternetConnect or the Successful Bidder shall use its best efforts to reach an agreement with Covad and Northpoint Communications related to the migration of the Subscriber Lines. In addition, the Purchase Agreement shall be modified to the extent it is inconsistent with this Order.

C. Summary of Debtor's Secured Obligations

A lien search was conducted on March 5, 2001 on Lexis-Nexis on assets of the Debtor's bankruptcy estate. The search was conducted using the following terms: "Zyan Communications", "Internet Express Network", "Internet Express Networks" and "Internet Design Group". No documents were found when the same names were searched in a Lexis-Nexis source library containing judgments liens.

As evidenced by the UCC-Financing Statements, the only secured creditors with a blanket secured interest in the assets that are a part of the sale transaction proposed herein are Critical Mass Ventures LLC, George A Hormel II Trust, The RHB Insurance Trust, Breitman Children's Insurance Trust, Breitman Irrevocable Life Insurance Trust (collectively the "Secured Parties"). The Debtor believes that the Secured Parties have or will consent to the sale terms proposed herein. Following is a summary of how the Secured Parties with a blanket interest in the assets to be sold are listed in the Debtor's Bankruptcy Schedule D:

<u>Creditor</u>	<u>Description of Collateral</u>	<u>Approximate Amount Owed</u>
Critical Mass Ventures LLC 1920 San Vicente Blvd Santa Monica, CA 90402	UCC Financing Statement filed 12/27/99 Instrument No. 9936460033 Loan secured by blanket lien on Debtor's right, title, estate, claim and interest in and to any or all of the Debtor's tangible and intangible assets (including but not limited to intellectual property), and proceeds therefrom.	\$1,725,000.00

<u>Creditor</u>	<u>Description of Collateral</u>	<u>Approximate Amount Owed</u>
The George A Hormel II Trust 6112 Paradise View Dr Paradise Valley, AZ 85253	UCC Financing Statement filed 10/19/00 Instrument No. 0029960130 Convertible Loan dated October 16, 2000 secured by blanket lien on Debtor's right, title, estate, claim and interest in and to any or all of the Debtor's tangible and intangible assets (including but not limited to intellectual property), and proceeds therefrom.	\$507,000.00
The RHB Insurance Trust c/o Brian T Corrigan Esq Corrigan & Morris 201 N Figueroa St #690 Los Angeles, CA 90012	UCC Financing Statement filed 10/16/00 Instrument No. 029960134 Convertible Loan dated October 16, 2000 Loan secured by blanket lien on Debtor's right, title, estate, claim and interest in and to any or all of the Debtor's tangible and intangible assets (including but not limited to intellectual property), and proceeds therefrom.	\$304,000.00
Breitman Children's Insurance Trust c/o Brian T Corrigan Esq Corrigan & Morris 201 N Figueroa St #690 Los Angeles, CA 90012	UCC Financing Statement filed 10/19/00 Instrument No. 0029960127 Convertible Loan dated October 16, 2000 Loan secured by blanket lien on Debtor's right, title, estate, claim and interest in and to any or all of the Debtor's tangible and intangible assets (including but not limited to intellectual property), and proceeds therefrom.	\$102,000.00
Breitman Irrevocable Life Insurance Trust c/o Brian T Corrigan Esq Corrigan & Morris 201 N Figueroa St #690 Los Angeles, CA 90012	UCC Financing Statement filed 10/19/00 Instrument No. 0029960124 Convertible Loan dated October 16, 2000 Loan secured by blanket lien on Debtor's right, title, estate, claim and interest in and to any or all of the Debtor's tangible and intangible assets (including but not limited to intellectual property), and proceeds therefrom.	\$102,000.00

The lien search indicated additional Secured Parties exist whose collateral consists of miscellaneous equipment leased to Debtor under unexpired leases. The treatment of unexpired leases is discussed below. Following is a list of the additional Secured Parties whose collateral consists of miscellaneous equipment leased to the Debtor under leases as of the Petition Date showing the current status of such leases:

<u>Lessor</u>	<u>Status of Leases</u>
Bancorp Financial Services, Inc	Lease is unexpired
GE Capital Business Finance, a Division of General Electric Capital Business Asset Funding Corp	Lease is unexpired
The Manifest Group	Lease is unexpired
Internet Design Group	Lease is unexpired

<u>Lessor</u>	<u>Status of Leases</u>
JDR Capital Corporation	Lease is unexpired
Compaq Financial Services Corporation	Lease Number 50000 BCE deemed rejected pursuant to Court order entered on February 14, 2001.
Advanta Leasing	Lease Number 052 5505468-001 deemed rejected pursuant to Court order entered on February 14, 2001. Lease Number 5505468-002 is unexpired.
First Sierra Financial, Inc.	Lease is unexpired.
Sunrise Leasing Corporation (Cisco Systems)	Debtor anticipates that Lease Number 72007043 AA will be deemed rejected pursuant to Court order. A motion to reject the lease was filed and no objections to such motion were received. A proposed order deeming the rejection of this lease was lodged with the Court on February 23, 2001. Lease Number 72007043AD is unexpired.
NTFC Capital Corporation.	Lease is unexpired.

D. Treatment of Executory Contracts and Unexpired Leases

In connection with the operation of its business and the Debtor entered into certain executory contracts and/or unexpired leases (collectively the "Operating Agreements"). Pursuant to this Sale Motion and the Purchase Agreement, InternetConnect will acquire the Debtor's interest in all of the Operating Agreements included in Schedule 3.1 to the Purchase Agreement.

InternetConnect must have legal authority to enforce performance under the Operating Agreements as well as any other executory contracts related to equipment purchased by the buyers. Likewise, the Lender/Lessor parties to the Operating Agreements must have a basis for seeking the buyer's performance thereunder. InternetConnect is prepared to provide financial information as necessary and reasonably requested in connection with the assumption of the Operating Agreements. Accordingly, the Debtor requests that the Court approve the assumption and assignment of any and all Operating Agreements identified in Schedule 3.1 to the Purchase Agreement.

The Debtor is not seeking approval to reject any of the Operating Agreements pursuant to this Sale Motion. Such rejections will be accomplished through a separate noticed motion by the Debtor.

E. The Proposed Sale Serves the Bests Interests of the Estate and Creditors

The negotiation of the proposed sale to InternetConnect was conducted in and represents an arms-length transactions. The negotiations with InternetConnect have resulted in an offer to purchase substantially all of the Debtor's assets, which offer will have substantial benefit to the estate. Based on the Debtor's operations both before and after the Petition Date, the Debtor has incurred substantial debt to its creditors. Claims against the estate include the claims of the Secured Parties, priority and administrative claims, and general unsecured claims. Absent the agreement with InternetConnect, there would likely not be any funds available for payment of unsecured creditors. However, the consideration provided by Purchase Agreement should provide a monetary benefit to unsecured creditors and as such, approval of the Sale Motion is in the best interests of these creditors.

F. Good Cause Exists to Grant The Sale Motion

The Debtor has made a business decision that it is in the best interest of the creditors of this estate that this Sale Motion be approved. Due to the amount of liens and encumbrances and operating costs associated with the DSL lines, the Debtor does not believe that its business can be reorganized. The Debtor has determined that rather than risk conversion of this case to Chapter 7 and the almost certainty that funds will not be available for unsecured creditors and perhaps others, the Debtor will be proposing a liquidating Chapter 11 plan following approval of this Sale Motion.


The Debtor has worked diligently both before and after the Petition Date to market and sell its business operations and/or its assets. The Debtor has gained much experience and information through this process and believes that the offer presented by InternetConnect presents the highest and best offer for creditors at this time. If the proposed sale is not approved, the Debtor may be unable to find another buyer and may be forced to cease operations and liquidate in order stop the accrual of the administrative and other expenses which it is now unable to pay.

A copy of the Sale Motion, which attaches a copy of the Purchase Agreement, may be obtained by contacting the Debtor's counsel at the address indicated below.

PLEASE TAKE FURTHER NOTICE that objections to the Sale Motion, if any, shall be filed with the Clerk of the Court located at 300 North Los Angeles Street, Los Angeles, California 90012, with a filed-stamp courtesy copy delivered to the chambers of the Honorable Kathleen P. March, United States Bankruptcy Judge, and a copy served on the Noticing Parties set forth above by hand delivery or facsimile transmission so that is **ACTUALLY RECEIVED BY APRIL 3, 2001**. Failure to timely file and serve an objection may be deemed as acceptance of the relief sought. **SEE LOCAL BANKRUPTCY RULE 9013-1(1)(g).**

Dated: March 23_, 2001

James C. Bastian, Jr. - Bar No. 175415
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James C. Bastian, Jr.
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Attorneys for the Debtor and Debtor in Possession
Zyan Communications, Inc., a Delaware corporation